

5th November 2020

Local Growth Fund (LGF) Programme Position Update

Purpose of Report

This paper is to inform LEP Board members of the LGF current position noting this is the final year of the current six-year LGF programme

Thematic Priority

Cross cutting - financial

Freedom of Information and Schedule 12A of the Local Government Act 1972

This paper will be made available under the MCA publication scheme.

Recommendations

Members are asked to

1. Note the current programme position

1. Introduction

- 1.1 LGF is a 6 year, £360m funding programme secured through three rounds of competitive bids. 2020/21 is the final year of funding. This paper seeks to inform members of the current programme position.
- 1.2 The LGF grant allocation for the 2020/21 financial year is £43.2m. Government requires that this resource is used in full in year. To meet this expenditure target, and avoid resource being returned to government, an over-programming position has been adopted. This position affords a degree of protection against programme slippage.
- 1.3 As the year progresses, and the impact of the pandemic on the pace of programme delivery becomes clearer, close attention will be paid to the forecast outturn expenditure position.
- 1.4 This report notes the current funding position alongside forecasts to outturn. The report notes that under current forecasts the in-year expenditure target will be met whilst retaining a degree of headroom made available from recycled funding.
- 1.5 The report further notes that consideration is being given to other practical mitigations that could be implemented should further slippage materialise as the year progresses.

2. Proposal and justification

Programme Summary

- 2.1 The Local Growth Fund Programme is now in its sixth and final year. Programme performance can be summarised in the following way:

| LGF Project Status | £m |
|-----------------------------------|----------------|
| Projects Completed | £129.1 |
| Projects in Delivery | £193.7 |
| Projects at Contracting Stage | £7.9 |
| Commitments | £330.7 |
| A630 Parkway Widening | £40.1 |
| Total Commitments | £370.8 |
| Funding Envelope | £360.0 |
| Headroom/(Over Commitment) | (£10.8) |
| Recycled Funding | £17.4 |
| Residual Headroom | £6.6 |

Funding Position

- 2.3 Over three successive Growth Deals the MCA/LEP have been awarded £360m for LGF schemes. This resource is generally awarded under devolution principles, with decisions on application of the resource resting with the MCA/LEP and schemes being appraised under the locally adopted Assurance Framework.
- 2.4 However, within this £360m envelope, a ringfenced amount of £40.1m was included for the A630 Parkway Widening Scheme. This scheme was 'retained' by the Department for Transport, meaning that the scheme was appraised outside of the MCA's usual Assurance Framework and could not proceed without DfT approval. The scheme has now been approved by the DfT, with a formal funding offer made to the MCA.
- 2.5 To-date, c. £330.7m of schemes have been committed to with LEP approval. The schemes are in various stages of delivery, with some completed, some in delivery, and some finalising contracting. It is expected that, subject to governance, the Parkway Widening Scheme will commence imminently, bringing total commitments to £370.8m.
- 2.6 Commitments at this level place the programme over the funding envelope by £10.8m. An over-programming position has been consciously adopted to mitigate the impact of slippage, noting that under funding conditions unused grant should be returned to government.
- 2.7 The overcommitment position is enabled, in part, through the use of recycled LGF funding. This includes loans granted to business and partners that have been repaid and which can now be redeployed to support new activity. There is no requirement to spend any recycled funding within the LGF funded window.
- 2.8 The remaining funding headroom available for LGF projects across all thematic areas (the programme headroom) is now £6.6m.
- 2.9 Board Members are asked to note a further £1.2m of proposed expenditure, subject to appraisal, will be put forward for approval at a future MCA. If approved, this would give a total spend or committed position of £372m thus reducing the available headroom to £5.4m.

Forecast Expenditure

- 2.10 At the beginning of the year forecast LGF programme expenditure for 2020/21 stood at £52.4m, against the MHCLG spend target of £43.2m. Adjusting for projects recently approved, total forecast expenditure to end of the programme has increased to £54m.
- 2.11 Reflecting, in part, the challenges of delivery during the pandemic, partners have submitted change control requests totalling £10.3m, the effect of which is to slip expenditure from the current financial year into 2021/22.
- 2.12 Accordingly, in-year expenditure is now forecast at £43.7m. This level of expenditure marginally exceeds the expenditure target for the year and thus secures the in-year funding.
- 2.13 Programme monitoring remains vigilant to the risk that this level of expenditure may fall below the target, and approaches to contracting that could mitigate the risk of increased slippage and loss of the in-year grant are actively being considered.

3. Consideration of alternative approaches

- 3.1 Do Nothing – The option of not accepting slippage has been discounted as projects need the certainty of an agreed budget in order to continue their activity. Failure to agree to a realistic re-profile would render schemes undeliverable and cause significant risk to the scheme promoters.

Do more – the remaining available headroom is not at risk as this is recycled funding and not direct LGF grant, therefore there is no urgency to allocating this funding to schemes

4. Implications

4.1 Financial

This paper set out the current position of the LGF programme. The total expenditure of the LGF programme will continue to be managed so that it will not exceed the financial resources available.

All funding needs to be fully spent (defrayed) by 31st March 2021.

4.2 Legal

There are no direct legal implications as a result of this paper.

4.3 Risk Management

High risk schemes will continue to be monitored and reported back to the LEP and MCA. A report detailing delays due to COVID-19 has been prepared and issues are being highlighted to MHCLG and an extension to the LGF programme has been requested. However, at the present time no extension has been granted.

4.4 Equality, Diversity and Social Inclusion

None as a direct result of this paper.

5. Communications

- 5.1 The LEP / MCA has a requirement to comply with MHCLG communication guidance. Compliance with these guidance requirements, form one aspect of the Annual Performance Review with government. A refresher on requirements is being issued to all Scheme Promoters, to confirm understanding and to ensure that the communications approach in the region is compliant.

6. Appendices/Annexes

6.1 None

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ